CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 20, 2002

H.R. 4036
Hospitalized Veterans Financial Assistance Act of 2002

As introduced on March 20, 2002

SUMMARY

H.R. 4036 would expand disability compensation benefits for some veterans who are hospitalized with a service-connected disability. CBO estimates that enacting H.R. 4036 would increase direct spending by $9 million in 2003, $46 million over the 2003-2007 period, and $98 million over the 2003-2012 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. CBO estimates that implementing the bill would not affect discretionary spending.

H.R. 4036 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4036 is shown in the following table. This estimate assumes the legislation will be enacted by October 1, 2002. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	9	9	9	9	10
Estimated Outlays	9	9	9	9	10

BASIS OF ESTIMATE

Under current law, veterans can receive disability compensation from the Department of Veterans Affairs (VA) for service-connected disabilities. Disability compensation varies with the degree of disability and the number of dependents, and is paid monthly. VA also may temporarily pay disability compensation benefits at the 100 percent disability rating when a veteran is hospitalized in excess of 21 days for a service-connected disability, or when a veteran is hospitalized for a service-connected disability and a period of convalescence is required. The amount of increased compensation paid to the veteran for the period of hospitalization or convalescence is based on the difference between the total disability rating (100 percent) and the veteran's regular disability rating. According to VA, the average disability rating for veterans is about 30 percent.

Under current law, the temporary increase in disability compensation to cover a period of hospitalization or convalescence usually begins on the first day of the calendar month following the month in which the increased award becomes effective. The temporary increase is calculated on a month-by-month basis. For example, if a veteran's period of hospitalization is 22 days beginning in January and ending in February, the veteran will receive a payment based on a total disability rating for all of the month of February, beginning on February 1. If a veteran's period of hospitalization is 35 days beginning in January and ending in March, the individual receives payments based on a total disability rating for all of February and March, beginning on February 1. If such hospitalizations begin and end within the same month, current law stipulates that the period of payment must begin on the first day of that month.

Under H.R. 4036, the temporary increase in disability compensation payments would, in all cases, begin on the first day of the same month in which the hospitalization or convalescence begins. CBO estimates that enacting H.R. 4036 would thereby provide one extra month of increased disability compensation for <u>most</u> veterans receiving this benefit. Veterans receiving a temporary increase in disability compensation to cover a period of hospitalization or treatment that begins and ends within the same month would <u>not</u> be affected by this legislation.

Based on data provided by VA, CBO expects that about 4,600 veterans per year would receive a temporary increase in disability compensation to cover a period of hospitalization, treatment or convalescence under current law. Of that amount, CBO estimates that about 900 veterans per year would be hospitalized for a period in excess of 21 days but not require further convalescence and that the remaining 3,700 veterans would be hospitalized and require a period of convalescence. CBO also estimates that roughly 25 percent (or 225) of the veterans who are hospitalized for a period in excess of 21 days but do not require further convalescence would have their hospital stay begin and end within the same month and would therefore be unaffected by this bill. Thus, CBO estimates that about 4,400 veterans would receive an extra month of temporary compensation under H.R. 4036. For this estimate, CBO assumes that the average disability rating for these veterans is 30 percent and that the average recipient has a spouse but no dependents. According to data from VA, the disability compensation payment to a veteran who is rated 30 percent disabled and has only a spouse as his or her dependent is $343 a month for 2002 and the monthly payment to a similar veteran with a 100 percent disability rating is $2,287. Thus, CBO estimates that the average increase in temporary compensation would be $1,944 per case in 2002. After adjusting for inflation over the 2003-2012 period, CBO estimates that enacting this provision would increase direct spending by $9 million in 2003, $46 million over the 2003-2007 period, and $98 million over the 2003-2012 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	9	9	9	9	10	10	10	10	11	11
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4036 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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